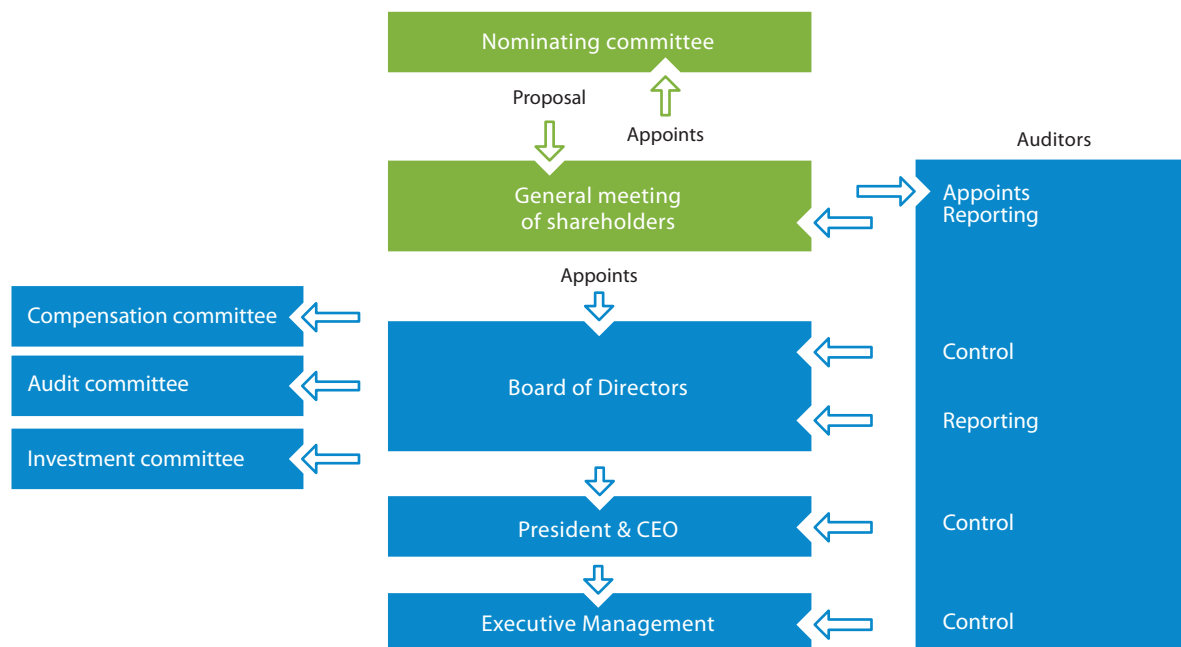


# Corporate governance



## Corporate governance report 2016

Corporate governance in Bure Equity AB is regulated by Swedish law, primarily the Swedish Companies Act and Nasdaq Stockholm's Rules for Issuers. Bure also applies the revised rules in the Swedish Code of Corporate Governance ("the Code") as of 1 December 2016. These rules are being applied successively to the extent prescribed in the Code and in pace with the issuance of statements and recommendations by advisory organisations (such as the Swedish Corporate Governance Board) on specific issues related to the Code. Bure Equity complies with the Code and reports no deviations from the Code for the financial year 2016 aside from that regarding the company's special audit function (see section on deviations from the Code below). For more information about corporate governance issues that are not covered in this corporate governance report, see [www.bure.se](http://www.bure.se).

## Share capital

Bure has been listed on Nasdaq Stockholm since 1993. At 31 December 2016 the share capital amounted to SEK 535.5M, and was divided between 69,332,710 ordinary shares. The company's ordinary shares grant the right to one vote per share. All shares grant entitlement to an equal share in the company's assets and equal dividends.

At year-end 2016 Bure had 21,190 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders accounted for 54.6 per cent of the shares. Patrik Tigerschiöld was Bure's single largest shareholder, with 11.4 per cent of the shares. The percentage of shares held by physical persons or legal entities outside Sweden was 33.1 per cent. The 2016 Annual General Meeting (AGM) authorised the Board, during the period until the next AGM, to acquire up to 10 per cent of the outstanding shares in the

company. In 2016 Bure has not utilised the authorisation to repurchase shares.

## General meeting of shareholders

The general meeting of shareholders is Bure's highest decision-making body and shall be held in Stockholm or Gothenburg once a year before the end of the month of June. According to the Articles of Association currently in force, notice of annual general meetings shall be published no more than six weeks and no fewer than four weeks prior to the meeting and no more than six weeks and no fewer than three weeks prior to an extraordinary general meeting. Notice must always be given through an announcement in the official gazette, Post- och Inrikes Tidningar, and in Svenska Dagbladet.

In order to have a matter dealt with at an AGM, the shareholder must submit a written request to the Board in good time so that the matter can be included in the notice to attend the meeting. Bure's Articles of Association contain no restrictions regarding the number of votes each shareholder may exercise at the meeting. All shareholders who are entered in Euroclear Sweden's shareholder register and who have notified the company of their intention to attend by the specified date have the right to participate in the meeting and exercise the votes for their total shareholdings. Shareholders may be accompanied by assistants at the meeting if they notify the company in advance.

## 2016 Annual General Meeting

The 2016 AGM was held on 9 May in Stockholm. The meeting was attended by 125 shareholders, proxies and assistants, together representing 49.8 per cent of the votes and share capital. Bure's Board of Directors, management and auditor were present. The CEO's address was published in full on the website the day after the meeting.

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## Nominating committee

On 1 November 2016 Bure announced the composition of the nominating committee. The nominating committee has been appointed in accordance with the instructions for the nominating committee that were adopted by Bure's 2016 AGM. These state that the Board Chairman, not later than at the end of the third quarter of each year, shall ensure that the company's three largest shareholders are given the opportunity to each appoint one member to the nominating committee. Should any of these three shareholders waive its right to appoint a member, the shareholder next in order of voting power will be contacted to appoint a member to the committee. The mandate period is one year. Furthermore, the Board Chairman shall be a member of the nominating committee. No compensation is paid for work on the nominating committee.

The nominating committee consists of:

- Bengt Belfrage, representing Nordea Investment Funds.
- Patrik Tigerschiöld, representing the Tigerschiöld family.
- Per Björkman, representing the Björkman family. The Nomination Committee appointed Per Björkman as chairman of the Committee.

The tasks of the nominating committee are to prepare and submit proposals to the AGM regarding:

- Election of a chairman of the meeting.
- Election of and fees for the Board Chairman and the other members of the company's Board.
- Election of and fees for the auditor and deputy auditor (where applicable).
- Principles for appointment of the next nominating committee.

The auditor was elected by the 2016 AGM to serve for a period of one year. Ahead of the 2017 AGM, the nominating committee has held two minuted meetings. The nominating committee's proposals, report on the work of the nominating committee ahead of the AGM and other information about the proposed Board members will be posted on the company's website in connection with the notice to attend the AGM.

## Board of Directors

All members of the Board are appointed by the shareholders at the Annual General Meeting to serve for a period of one year from the AGM until the end of the next AGM. According to the Articles of Association, Bure's Board of Directors shall consist of no fewer than five and no more than nine members.

The Board is responsible for the company's organisation and management of the company's affairs, but not for its operating activities. The tasks of the Board are to assess the company's financial situation, to continuously monitor activities, to adopt a procedural plan, to appoint a CEO and to define the separation of duties.

The AGM on 9 May 2016 elected Patrik Tigerschiöld (re-election) as Chairman and elected Hans Biörck (re-election), Carl Björkman (re-election), Bengt Engström (re-election), Charlotta Falvin (re-election), Sarah McPhee (newly elected) and Mathias Uhlén (re-election) as regular Board members.

Information about the Board members and the CEO is presented at the end of the corporate governance report. CFO Max Jonson has served as Secretary of the Board. The CEO is not a member of the Board. Of the company's seven Board members, five are independent in relation to the company, its management and the company's major shareholders, one is independent in relation to the company and its management and dependent in relation to the company's major shareholders and one is dependent in relation to the company, its management and the company's major shareholders. A description of the Board members' and the CEO's shareholdings and other assignments is provided on pages in the section "Board of Directors and Employees".

## Duties of the Board

The duties of the Board include development of the company's strategy and business plan in such a way that the long-term interests of the shareholders are optimally served. The work of the Board of Directors is governed by a procedural plan that was most recently adopted at the statutory meeting of the Board on 9 May 2016. The work of the Board follows a yearly plan containing fixed decision points that is adopted yearly in connection with the statutory meeting. According to the procedural plan, the Board is responsible for the company's organisation and management of the company's affairs. Among other things, the Board's procedural plan includes information about the separation of duties between the Board, the Chairman, the CEO and the Board's committees.

The Board continuously monitors the financial situation of the company and the Group so that the Board is able to meet the monitoring obligations required by law, Nasdaq Stockholm's Rules for Issuers and good board practice. The procedural plan states that it is the responsibility of the Board to decide on matters that are not part of operating activities or that are of major importance, such as material financial commitments and agreements and significant changes in the organisation.

Every year, Bure's Board of Directors establishes and documents the company's goals and strategies and discusses marketing, strategic and budgetary issues. The Board establishes the company's finance policy, authorization rights, order of delegation and decision-making procedures. The Board has formulated specific instructions regarding the responsibilities and powers of Bure's CEO. The management continuously provides the Board with reports and updates about operations. Information materials and decision data ahead of Board meetings are usually distributed around one week prior to each Board meeting.

The company's auditors attend at least one board meeting every year to report on the year's audit and their evaluation of the company's internal control systems. The auditors present their observations from the annual audit directly to the Board. Once a year, the auditors meet with the Board without the presence of any member of the management.

## Work of the Board in 2016

According to the Articles of Association, the Board shall hold at least six meetings per year and shall meet more frequently when required. In the past financial year the Board held 12 meetings, consisting of 10 scheduled meetings and 2 extra meetings. See Board attendance in the table on page 26.

Key issues that were dealt with during the financial year included the following:

- Financial monitoring of operations
- Discussions and decisions regarding the portfolio
- Preparation of the dividend proposal
- Development of the company's strategic focus
- Authorisation for the repurchase of treasury shares
- Auditing, investment and compensation committee issues, as described under "Board committees" below.

The company's auditor has taken part in two board meetings, of which one without the presence of any member of the management.

Total Board fees in Bure Equity AB as approved by the 2016 AGM amount to SEK 2,450,000, of which SEK 800,000 is paid to the Chairman.

#### Board evaluation

Once a year, the Board carries out a systematic evaluation in which the Board members have the opportunity to state their views on the working procedures, Board materials, their own performance and that of the other Board members in order to develop the work of the Board and provide the nominating committee with a relevant basis for decision ahead of the AGM.

#### Board committees

The Board's procedural plan contains instructions regarding the audit committee, compensation committee and investment committee. The work of the audit committee and the compensation committee is performed by the Board as a whole.

#### Audit committee

The audit committee is responsible for issues concerning auditing, internal control and review of the financial accounts and interim reports. The committee is also responsible for evaluating the auditors' performance and preparing for election of new auditors when appropriate. The audit committee met with the company's auditors on two occasions during the year.

#### Compensation committee

The compensation committee deal with matters relating to compensation in the form of salary, pensions and bonuses or other terms of employment for the CEO and staff reporting directly to the CEO. The proposed principles for

compensation to the CEO and management were put before the AGM on 9 May 2016.

#### Investment committee

In order to actively manage Bure's cash and cash equivalents and short-term investments, the Board has appointed an investment committee whose main task is to continuously evaluate management of the investments with regard to risk and return. The investment committee consists of Patrik Tigerschiöld, Hans Biörck and the CEO Henrik Blomquist. The investment committee abides by the rules set out in the company's finance policy. In the past financial year, the investment committee held one meeting at which all members were in attendance.

#### Principles for compensation to senior executives

The AGM adopts principles for compensation to senior executives. Proposals are prepared by the compensation committee. The main principle is to offer market-based compensation and terms of employment. The total compensation package consists of fixed basic salary, variable salary, pension benefits and other benefits. The principles that were applied in 2016 are described in the administration report. Information about compensation to the CEO and other senior executives during 2016 is provided in Note 35.

#### Financial reporting

Bure's financial reporting is based on the applicable laws, regulations, rules, agreements and recommendations for companies listed on Nasdaq Stockholm. A more detailed description of the accounting policies is provided in Note 1 of the annual report. The audit report for the financial year 2016 is also included in the annual report. The Board and the auditors communicate on an ongoing basis. The Board continuously ensures that the company's finance and accounting organisation is properly dimensioned and has adequate resources.

Every year, the Parent Company issues instructions regarding the financial information to be reported by the subsidiaries and other portfolio companies. Among other things, this information includes income statements, balance sheets, cash flow statements and key figures. A more extensive reporting package is required of the subsidiaries in connection with the annual closing of the books. This reporting takes place in a group-wide accounting system.

#### Attendance at Board meetings in 2016

	Board meetings	Compensation, SEK th	Shareholding
Patrik Tigerschiöld, Chairman	12/12	800	7,933,405
Hans Biörck	12/12	275	25,000
Carl Björkman	12/12	275	2,945,412
Bengt Engström	12/12	275	7,000
Charlotta Falvin	11/12	275	0
Sarah McPhee	9/9	275	4,500
Mathias Uhlén	9/12	275	36,500

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According to the requirements in the listing agreement with Nasdaq Stockholm, Bure provides financial information in the form of interim reports, a year-end report, an annual report and press releases in connection with significant events.

### **Deviations from the Code of Corporate Governance**

According to section 7.3 of the Code, the Board of Directors is required to evaluate the need for a special audit function (internal audit) on a yearly basis. The Board's assessment is that Bure has no need for this function under the present circumstances. The Board has instructions and continuously ensures that the responsible individuals in the organisation have the requisite expertise and resources to fulfil their duties in the preparation of financial reports. Bure holds seats on the boards of the portfolio companies via a representative for the holding. Depending on the holding, it is also possible to appoint more than one member to represent Bure.

Bure's current holdings are spread across different industries and geographical areas. As a result, it is deemed more appropriate to make this decision for each individual holding than to set up an internal audit function at the group level. The need for an internal audit function in the Parent Company must therefore be regarded as minor.

### **Information about the auditors**

As its independent auditor, Bure has appointed the auditing firm of Öhrlings PricewaterhouseCoopers AB ("PwC"). PwC has appointed Michael Bengtsson, 57 years, as Auditor in Charge. Aside from Bure Equity AB, Michael is auditor of Indutrade AB, Sweco AB and Carnegie Investment Bank AB, among others. For information about compensation to PwC, see Note 9.

### **The Board's description of internal control over financial reporting for the financial year 2016**

As stated in the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for the company's internal control. This description has been prepared in accordance with the Swedish Code of Corporate Governance, section 7.4, and is thereby limited to internal control over financial reporting. This description is not part of the formal annual report.

### **Control environment**

The procedural plan for the Board and instructions for the CEO ensure a clearly defined separation of roles and responsibilities that promotes an effective management of the company's risks. Furthermore, the Board has established a number of normative documents for internal control, and among other things emphasises the importance of having clear and documented instructions and policies in both the Parent Company and the subsidiaries. The management regularly reports to the Board according to established routines and is responsible for the system of internal controls that is necessary for management of significant risks in day-to-day operations. This includes guidelines that promote an understanding,

and awareness among the various executives of the importance of their respective roles in maintaining good internal control.

### **Risk assessment and control activities**

In assessing the risk for irregularities in the company's financial reporting, Bure has developed a model in which a number of areas with a heightened risk for errors have been identified. Special attention has been given to the creation of controls to prevent and detect deficiencies in these areas. Areas where material deficiencies are noted are dealt with immediately.

### **Information and communication**

Significant guidelines, manuals, etc., of relevance for financial reporting are continuously updated and communicated to the appropriate employees. There are both formal and informal communication paths to the management and Board for significant information from the employees. For external communication, there are guidelines to ensure that the company lives up to high demands regarding complete and accurate information to the market.

### **Monitoring**

The Board continuously monitors and evaluates the information provided by the management. This includes ensuring that action is taken with respect to any deficiencies or recommendations identified in internal and external audits.

Stockholm, 15 March 2017

The Board of Directors of Bure Equity AB (publ)